

VOLUME III - NATURAL GAS

CHAPTER I

CENTRALIZED ACQUISITION PROGRAM

A. GENERAL

1. Contents. This chapter discusses policy guidelines and management responsibilities related to the centralized acquisition of direct supply natural gas from producers and regular dealers through competitive procurements. Recent deregulation of the natural gas industry in the United States and the availability of open access transportation on interstate and intrastate pipelines has created **significant** cost savings opportunities for DoD installations participating in the centralized direct supply natural gas acquisition program.

2. Authority. Defense Energy Program Policy Memorandum (DEPPM) 91-1, issued 17 Oct 90, assigned the mission of centralized acquisition of direct supply **natural** gas to the DLA, with the DFSC serving as the implementing agent. In addition, **DLA/DFSC** were assigned the additional responsibilities in California to perform central nominations, balancing, central payment, gas storage and pipeline **transportation** of direct supply natural gas. DEPPM 93-1, issued 12 Jan 93, superseded DEPPM 91-1 and provided updated and revised program guidelines and management responsibilities for DFSC and the Military Services based upon recent changes in the natural gas industry, and as a result of experiences gained since the inception of the original DFSC centralized acquisition program. DEPPM 93-1 provides the most current operating procedures, guidelines and management responsibilities for participants in the DFSC direct supply natural gas program.

3. Applicability. The provisions of this volume apply to the OSD, the Military Services (including the **Reserve** components), the Chairman of the Joint Chiefs of **Staff** and the Joint **Staff**, the **Unified** and **Specified** commands, and the Defense Agencies (hereafter referred to collectively as "the DoD Components"). As used **herein**, the term "Military Services" refers to the Army, Navy, Air Force and Marine Corps.

4. Scope. DoD installations located in the continental (48) United States, and in Alaska.

B. POLICY

1. Joint Objectives (DLA and Military Services)

a. Provide a reliable supply of natural gas at the lowest possible cost to DoD installations. Mission support and energy reliability **will** take precedence over **all** other considerations in this acquisition process.

b. Assure that DoD installations have secure and reliable sources of energy to **fulfill** their mission.

c. Cooperate and support the centralized direct supply natural gas acquisition program to enable DoD to maximize available cost savings.

d. Assure that no actions will be taken to bypass Local Distribution Company (**LDC**) systems without prior approval of the **DUSD(ES)**.

2. Participation Guidelines

a. All DoD installations utilizing natural gas will participate in the DFSC direct supply **natural** gas program. Participation is defined as:

(1) Providing appropriate natural gas requirements data such as historical and projected natural gas use, alternative **fuel** capability and associated site costs, sufficient to **allow** DFSC to perform an economic evaluation to determine whether to include the installation's requirements in a solicitation.

(2) Providing the **necessary** support for contract post-award administrative requirements such as performing nomination, balancing and payment **functions** in accordance with the DFSC contract provisions. Installation costs associated with these **functions** will be considered during the economic evaluation process.

b. Installations will not be included in the DFSC direct supply natural gas program if results of the economic analyses indicate negligible or improbable savings. Other possible reasons for not participating in the program may include:

(1) The LDC will not provide **transportation** of direct supply natural gas from the citygate to the installation;

(2) Base realignment and closure actions;

(3) Existing contractual arrangement with

the LDC or with an existing **multiyear** direct supply natural gas supplier (contracts awarded by the Military Services) **with** better prices or with **termination** liabilities exceeding the projected DFSC direct supply contract cost **benefits**;

(4) Loss of utility-sponsored demand side management program benefits that are greater than the potential savings available via the DFSC direct supply natural gas program;

(5) Ongoing or pending legal or regulatory action in which the Government's interests would be adversely affected by participation in this program.

c. In cases where DFSC and the Military Services cannot reach agreement, program participation will be decided by OSD through the Chairman of the Defense Utilities Energy Coordinating Council (DUECC).

### 3. Economic Criteria

a. Each installation will pay the actual costs associated with the acquisition of direct supply natural gas. These costs include the cost of the natural gas commodity, and applicable pipeline transportation, storage costs, and backup or standby charges (as applicable and appropriate) for the installation, along with established operating, general and administrative costs directly associated with this program.

b. The estimated total annual and average unit cost of the **direct** supply natural gas provided to an installation through this program will be lower than that offered by the LDC at the time of contract award, or the comparable per unit cost of any alternative energy readily used by the installation, measured at the burner tip. Cost factors to be utilized in the direct supply natural gas economic analyses are outlined in paragraph B.3.a., above,

### 4. Contracting

a. DFSC (serving as DLA's agent) has sole responsibility for contracting for direct supply natural gas requirements within the DoD.

b. Natural gas will be acquired for DoD installations via DFSCS centralized competitive procurements when such contracts are cost effective and consistent with the policy of providing secure and reliable service in support of the installation mission.

c. DFSC may enter into **advisory** and assistance contracts to address all issues associated with the competitive acquisition of direct supply natural gas, to include but not limited to: market **identification**, pipeline transportation, storage and economic analysis of gas supply options.

## 5. Requirements

a. In order to enable DoD to maximize available cost savings from the centralized direct supply natural gas program, maximum participation of eligible DoD installations in the DFSC program is required.

b. Military Services and Defense Agencies will submit their direct supply natural gas requirements to DFSC, Directorate of Alternative Fuels (DFSC-A) through the central control points listed in section H. of this chapter. Submission of these requirements to DFSC-A will be in the standardized format shown in appendix A of this volume.

c. Direct supply natural gas requirements will be coordinated and consolidated by procurement area in an effort to reduce product and transportation costs. Appendix B of this volume provides the geographic breakdown of the current DFSC direct supply natural gas procurement areas. The requirements' submission schedule for the DFSC direct supply natural gas program is incorporated within DFSCR 4220. I, and summarized in appendix C of this volume.

6. Budgeting. DLA and the Military Services shall develop, program, and execute independent budgets to meet their obligations under the direct supply natural gas program.

## C. RESPONSIBILITIES

1. The Office of the Deputy Under Secretary of Defense (Environmental Security) ODUSD(ES) shall:

a. Establish/coordinate policies and provide **guidance** to DoD Components for the management of direct supply natural gas programs, systems, and procedures, and ensure their effective implementation.

b. Request access to DoE natural gas reserves, as needed, in support of DoD natural gas requirements, pursuant to 10 U.S.C. Section 7430 (1).

c. Resolve DoD installations program participation differences between DFSC and the **Military Services**, via the Chairman of the DUECC.

2. The Secretary of Defense Comptroller (OSD(C)) shall :

a. **Establish** budgetary and finding policies and guidance for DoD Components for the management of natural gas requirements.

b. Establish and coordinate policies and guidance for the design and implementation of management information systems related to natural gas.

3. The Director of Logistics/J4, Joint Staff shall:

a. Advise **DUSD(ES)** on policies, programs, and responsibilities relating to natural gas in support of military forces' contingency plans and recommend allocation in CONUS during crises.

4. The Defense Fuel Supply Center (DFSC) as DLA's agent shall:

a. Serve as the single manager for acquisition of direct supply natural gas for DoD installations.

b. Publish and maintain an acquisition schedule for the DFSC direct supply natural gas program (see appendices B and C of this volume).

c. Consolidate (by procurement areas) natural gas requirements reported by the Military Services in support of DoD installations.

d. Perform or arrange for the economic analyses of various supply options.

e. Prepare solicitations, and award and administer contracts for the acquisition of direct supply natural gas to the designated delivery points, and for natural gas storage acquisition when determined to be economically advantageous.

f. When agreed upon by both the Military Services and DFSC, perform contract administration functions such as the placing of nominations, balancing and payment of invoices to the DFSC contractor (as is currently the case for installations located in California).

g. Determine the availability of competitive natural gas and pipeline transportation, and investigate opportunities for reducing energy costs through the centralized acquisition process. DFSC will work with suppliers, interstate pipelines and LDCS to increase opportunities for the acquisition and delivery of direct supply natural gas.

h. Monitor FERC and pipeline transportation rates, and advise the **Military Services** and the **DUSD(ES)** of findings pertinent to the success of the program.

i. Provide periodic procurement status reports to the Military Services outlining the status of each centralized acquisition of natural gas and pipeline transportation.

j. Arrange regional training for the Military Services for the centralized acquisition of direct supply natural gas.

k. Monitor gas market and industry trends and provide reports to the Military Services on significant issues.

1. Explore the feasibility of obtaining Federal royalty gas and strategic gas, such as Naval Oil Shale Reserves (NOSR) gas.

m. **Notify** the **Military Services** of any potential for rate intervention identified during centralized direct supply natural gas procurement activities.

n. For the State of **California**, perform central nominations, balancing, central **payment**, gas storage, and pipeline transportation of natural gas.

o. Provide to the **DUSD(ES)** and the Military Services an annual **report**, no later than 15 December of each year, on the status of the direct supply natural gas program. Items to be covered should include total operating costs at DFSC and the participating installations, savings by installation, trends (such as impact of new FERC orders or changes in the industry), and any recommendations for program improvement.

5. The Military Services shall:

a. Plan, program, budget, and find natural gas requirements in support of installations under the **DLA/DFSC** centralized direct supply natural gas contracts.

b. Provide natural gas requirements via interruptible and firm transportation to **DFSC**, including any special or installation **specific** requirements or constraints, such as special service arrangements with the LDC, which may need to be **identified** in a solicitation. The format to be utilized for submitting requirements to **DFSC-A** is provided in appendix A of this volume.

c. Indicate in the requirements submission package (**DFSC Form 2.52**, block 10) the desired delivery point for the direct supply natural gas; usually either the LDC citygate or the installation's burner tip. When designating the installation's burner tip, the installation or **Military Service** must also indicate (block 10) if the LDC will **allow** a DFSC contractor to process the transportation agreement with the LDC on behalf of the installation. This information is critical to have in order for DFSC to pursue burner tip delivery for an installation.

d. Maintain the installation/LDC relationship regarding transportation of the natural gas from the citygate to the burner tip, when the DFSC contracts specify delivery to the LDC citygate.

e. Maintain the LDC gas utility service contract when the LDC delivered cost of gas is less than the DFSC direct supply natural gas cost delivered to the burner tip, taking into account appropriate gas supply, transportation and administration costs (including any surcharges).

f. Monitor state regulatory commissions' activities and advise DFSC of any regulatory action that may affect the DFSC direct supply natural gas program.

g. Continue to provide utility rate **expert** and regulatory/rate intervention services for cost of service analysis and rate intervention support for **all Military Services'** installations in the LDC territory in which the **Military Service** is the dominant user. These services shall be provided for DFSC on a reimbursable basis when so requested.

h. Perform economic analyses as **desired**, validate installations' natural gas requirements, and provide appropriate requirements (including technical specifications) to DFSC in accordance with the published natural gas acquisition schedule.

i. Jointly review with DFSC the economic analysis of the various supply options that have been developed by DFSC.

j. Participate in the development of technical criteria for DFSC direct supply natural gas solicitations and participate during the technical review of proposals offered against these solicitations.

k. Ensure their installations have LDC transportation agreements in effect for those DFSC contracts

**specifying** delivery to the LDC citygate, prior to the initial **delivery** start date as **specified** in the DFSC direct supply natural gas contracts.

1. Ensure that installation personnel associated with DFSC direct supply natural gas contracts and LDC pipeline transportation agreements are properly trained in the use of these contracts.

m. Nominate and issue delivery orders, via their individual installations, against the DFSC direct supply **natural** gas contracts, unless otherwise agreed upon by DFSC and the installations.

n. Make timely payments, via their installations, to contractors for direct supply natural gas and LDC services, unless payment responsibility has been assigned otherwise, as agreed upon by **DFSC** and the installations or their Military Services.

o. Report promptly any problems with direct supply natural gas delivery or contract solicitation information to **DFSC**.

p. Gather and provide to DFSC annual installation administrative costs associated with performing **pre-award** and post-award functions by November 15 of each year for incorporation into the DFSC annual report.

## CHAPTER 2

### CENTRALIZED CONTRACTING PROCESS

#### A. DIRECT SUPPLY NATURAL GAS CONTRACT TRANSITION

1. In accordance with Defense Energy Program Policy Memorandum (DEPPM) 93-1, DFSC is assigned the sole responsibility to contract for direct supply natural gas requirements for DoD installations. All requirements for direct supply natural gas will be submitted to **DFSC-A** via the Military Service Utility Management Offices (SUMOs) listed in section H, of this chapter.

2. The Military Semites will submit requirements to DFSC for installations which have their own direct supply natural gas contracts expiring (this includes expiration of the basic contract delivery period or any option year delivery period) during the forthcoming DFSC contract delivery period. The delivery start-up period for those installations stated in the new DFSC contracts will coincide with the expiration date of the existing Military Service contracts. Installations in the DFSC procurement areas to be solicited that have existing long term contracts that are not **due to expire** (basic contract or option year delivery periods) during the forthcoming DFSC contract delivery period may not be provided for inclusion in the DFSC market survey and analysis.

3. For those installations which have existing contracts with option renewal periods, an economic analysis will be conducted by **DFSC**, and jointly reviewed by the Military Services and DFSC, prior to the Military Services exercising each contract extension option. A decision matrix outlining the procedures to follow when evaluating the transition of existing Military Service direct supply natural gas contracts to DFSC is provided in appendix E of this volume.

4. Existing direct supply natural gas contracts awarded by the **Military** Services will continue to be administered by the responsible Military Service up to the first renewal option, if such option exists, until and unless formally turned over by the Military Services to DFSC.

#### B. CONTRACT ADMINISTRATION

1. DLA/DFSC has contract administration responsibility for contracts awarded by DFSC. Particular

responsibilities pertaining to Government-contractor relationships, which are reserved exclusively to DFSC include:

- a. Modifications affecting price;
- b. Complaints by contractors or requiring activities;
- c. Disputes between contractors and the Government; and
- d. All matters pertaining to performance by contractors making deliveries of natural gas ordered by the Government.

2. Military Semites **will** report problems associated with DFSC contracts or contractor performance to **DFSC-A**.

3. Military Services have contract administration responsibility for contracts **negotiated/awarded** by them. The Military Services **will** retain such responsibility **until/unless** formally transferred to DFSC. Detailed operating arrangements for this effort will be negotiated as necessary and approved at the working level offices designated in section H. of this chapter.

**C. CONTRACTING PROCESS.** This section discusses issues related to both interruptible and firm type direct supply natural gas contracts for which DFSC is assigned responsibility. If there is a conflict between this summary and the contract, the contract would take precedence.

#### 1. Procedural Summary

a. DFSC shall solicit and award contracts for natural gas via interruptible and firm transportation based on the type of natural gas requirements submitted by the Military Services.

b. The requirement for an installation to participate in the DFSC program and to place orders against assigned contracts shall be based on the economic analyses performed by DFSC. DFSC and the Military Services will jointly review these analyses to determine if the DFSC contract is the best method to achieve **maximum** overall savings for the length of the

contract delivery period.

c. Economic analyses will be conducted for each installation in **three** stages as noted below:

(1) Prior to submission of requirements, DFSC will conduct a screening to eliminate service territories and installations that on first appearance are unsuitable;

(2) Prior to inclusion of requirements in the DFSC solicitation, a computation will be done by DFSC to include all appropriate gas supply and cost factors submitted by the installations and market data available to DFSC. This economic analysis of gas supply options will be jointly reviewed by DFSC and appropriate **Military** Service representatives. A copy of a “generic” economic analysis spreadsheet format is provided in appendix F of this volume.

(3) At the time of initial offers the offered prices will be used by DFSC to update the analyses in subparagraph C. 1.c.(2), above. Any significant changes to the economic analyses will be provided to the appropriate Military Service representatives.

d. Installations will not be included in the DFSC solicitation if the stage 2 analysis indicates negligible or improbable cost savings. If included in the solicitation, installations will be withdrawn if the economic analyses performed by DFSC after receipt of initial offers (at stage 3, above) indicate negligible or improbable cost savings. In **unusual** cases where there are no cost savings for an individual installation at time of **BAFOs**, DFSC and the affected Military Services shall determine the best course of action for the Government, since other installations may be adversely affected by the potential withdrawal of an installation this late in the acquisition process.

e. Gas requirements submitted to DFSC shall designate whether a contract for interruptible or firm transportation is requested. For those requirements for interruptible gas, where monthly switching is permitted between “sales” and “transportation” gas by the LDC, the most economic source of gas on a monthly basis will be utilized. This cost comparison will be accomplished by DFSC comparing the projected DFSC contractor price for the coming month to the published LDC tariff price for the coming month.

f. For those requirements for both firm gas, and for interruptible gas where monthly switching is not permitted between “sales” and “transportation” gas by

the LDC, the economic analyses performed in stages 1 through 3, above, **will** determine if the installation will “” participate in the DFSC direct supply natural gas contracting process. Once a contract is awarded the installations **will** be required to place orders under the direct supply natural gas contract even if the LDC subsequently lowers its price for the mandatory contract delivery period. DFSC will NOT award “take-or-pay” contracts in which installations must pay a penalty if they have no requirement for gas. However, transportation pipeline capacity **reservation/demand** charges will apply for firm contracts.

g. The installations will maintain their retail purchase relationship with their current LDC, when the DFSC contract specifies **delivery** of the natural gas to the LDCS **citygate**.

## 2. Prior to Solicitation

a. DFSC **shall** notify the **SUMOs** of the procurement areas to be solicited and request basic data needed for solicitation. If **agreeable** to the **SUMOs**, DFSC may notify the major commands or claimants, engineering field divisions or installations directly, with an info copy of the request to the **SUMOs**. (See section H. of this chapter for **SUMO** locations and phone numbers.)

b. **SUMOs** are responsible for reviewing installations’ requirements and advising DFSC if inclusion in the proposed DFSC solicitation would adversely impact any ongoing or planned LDC rate intervention activity, demand side management programs or LDC investment programs, or if any changes are anticipated in the LDCS rate structure which would impact on the decision to include the installation in the DLA solicitation. **SUMOs** should also advise DFSC of any installations to be affected by planned base realignment and consolidation **plan** or, on an installation basis, of any technical changes in **future** natural gas requirements or energy systems serving those specific requirements.

c. **SUMOs** shall provide installation specific data to DFSC in accordance with the guidelines of the published DFSC natural gas acquisition schedule (See appendix C of this volume and **DFSCR** 4220.1.) If agreeable with the **SUMOs**, the major commands, engineering field divisions or installations may provide the data directly to DFSC with an information copy to their **SUMO**. Submission of this data will be in accordance with instructions provided by DFSC (**DD** Form 2692 **will** be utilized), but will generally require the following items:



(1) Indication of LDC's willingness to transport natural gas, and the applicable rate schedules.

(2) Identification of the terms, conditions and renewal date(s), if any, for existing direct supply natural gas contracts.

(3) Monthly historical gas use that is appropriate for interruptible and/or firm service requirements; peak day load for interruptible service, if available; maximum daily quantity for firm service, if available.

(4) Alternate energy sources and current cost.

(5) Points of contact at each activity - name and address of ordering office, invoice receiving office, payment office and contracting office.

(6) Specific technical criteria, if unique to a particular installation, to be included in the DFSC solicitation.

(7) Designation of the desired delivery point (usually the LDC's citygate or installation burner tip, and the LDC's willingness to allow a DFSC contractor to negotiate transportation agreement on behalf of the installation (if burner tip delivery is requested).

d. SUMOs initiate, or ensure that the installation initiates, a formal agreement with the LDC for transportation of the contract gas volumes, when the DFSC contract specifies delivery of the natural gas to the LDC citygate. The appropriate tariff rates will be provided to DFSC by the SUMO or the installation. The LDC transportation agreement must be formalized and in place prior to the anticipated contract delivery period. Transportation agreements with the LDC are generally accomplished by one of the two following methods:

(1) The most frequently used of the two methods is the utilization of the GSA area wide contract (if available) to provide for the necessary natural gas transportation service. A supplemental agreement to the existing area wide contract (usually designated as Exhibit "A") is initiated between the LDC and the customer to provide for the transportation service from the LDC's citygate up to the installation's burner tip.

(2) When a GSA area wide contract is not available, a separate negotiated contract with the LDC can be accomplished in accordance with the Utility Services Section of the FAR, Part 8. These provisions

allow for the negotiation of the majority of contract clauses normally required in the Government contracting process.

e. DFSC will develop an economic analysis of the gas supply options.

f. DFSC and the Military Semites shall conduct a joint review of the economic analysis to determine which installations will participate in the acquisition process.

g. DFSC incorporates requirements into the solicitation package and issues the RFP. Copies of the DFSC solicitation package will be provided to each Military Service.

### 3. After Solicitation

a. Upon receipt of initial offers, DFSC will revise as necessary the economic analysis for all participating installations and advise the Military Services of any installations that should be removed from the solicitation based upon a lack of cost savings opportunities.

b. The Military Services will participate in the review of the technical information submitted as part of the proposals offered in response to the DFSC direct supply natural gas solicitation to determine those offerors which are technically qualified.

c. DFSC will advise the Military Services of any installations that reflect no cost savings, and the apparent economic impact on those installations and all others in the contract package if the non-economic installations were withdrawn at this time. A similar review will be conducted at the time that Best and Final Offer (BAFOs) are evaluated. A coordinated decision will be made by DFSC and the affected Military Services as to the course of action to follow in instances of this nature.

d. Prior to planned gas delivery date, DFSC is responsible for making a regional training course available to Military Services' installation personnel to enable them to carry out their contract support responsibilities.

e. The Military Services shall assure that personnel at all installations participating in the program are sufficiently trained to carry out their responsibilities.

#### 4. Post Award

a. Installation personnel **are** responsible for issuing contract **delivery** orders and nominations, receipting for **gas** and paying contractor invoices, unless otherwise agreed upon by DFSC and the Military Services. In California, DFSC handles these functions and the installations reimburse DFSC for these applicable costs.

b. Each installation covered by the contract is responsible for monthly nomination of gas quantities based on projected gas consumption during the subsequent month. If they order gas from the DFSC contract, installations are responsible for making sure that they don't order more than they use in the subsequent month or, if they do, they make it up in the balance period specified in the contract with the LDC, or they pay the resultant penalty, if any.

c. Installations will maintain their relationship with their current LDC, when the DFSC contract specifies delivery of the natural gas to the LDCS **citygate**, when the LDC allows switching, or when the installation is buying gas under a contract with the LDC. For **interruptible** and/or firm transportation contracts, natural gas service and backup, if appropriate, will be obtained from the LDC under tariff rates, terms and conditions. Determining which gas to order will be based on a comparison of the DFSC unit price for direct supply natural gas delivered to the burner tip (with surcharge and including the cost of backup service if appropriate), to the **LDC's** tariff unit price of gas in effect and available at the time the monthly nomination must be made to the DFSC contractor.

d. Installations will furnish DFSC, and their SUMO **and/or** Major Claimant/Command as appropriate, copies of **each** delivery order and invoice, and immediately **notify** the above of any gas supply or contract problems.

#### D. CURTAILMENT PROCEDURES

1. When a natural gas curtailment occurs that impacts an installation on the DFSC program, DFSC shall determine the best course of action in coordination with the installation.

2. When the contract stipulates **primary** and secondary supply sources and transportation routes and the secondary source is available, no additional action shall be required.

3. When the contract does not stipulate secondary supply and transportation or when the **secondary** is curtailed also, DFSC shall obtain the market range for natural gas in the area of the installation, review the contractor's alternative plan (if provided). The installation **shall** provide the following information:

a. Alternative fuel capability/availability, quantity, and cost.

b. Availability of stored gas.

c. Type of LDC backup gas.

d. Installation preference should the contractor not be able to provide gas via an alternative plan that is priced within the market range.

e. Other pertinent information. “

4. DFSC and the installation shall jointly determine which alternative to employ to meet the installation's requirements during the curtailment contractor's alternative **plan**, emergency **purchase** of gas, stored gas, LDC gas, or alternative **fuel**. DFSC shall perform all necessary contracting efforts if the contractor's alternative plan or an emergency purchase is selected.

E. ORDERING, INVOICING, AND PAYMENT PROCEDURES. The following procedures set forth monthly ordering, invoicing and payment instructions to be followed by all installations participating in the DFSC **direct** supply natural gas program, with the exception of those installations located in California. Detailed procedures which address the ordering, invoicing and payment procedures for installations located within California are provided for in appendix D of this volume.

1. Gas Forecasting, Nominating and Ordering Procedures are as follows:

a. Beginning on the 15th of each month, installations shall obtain the **necessary** information to aid them in determining quantities of natural gas to be delivered in the following month. This information is usually obtained at the utilities/energy engineering **level** and consists of information such as historical gas usage (looking at those periods of time that closest resemble the installation's present gas load size and considering extreme weather conditions such as coolest and warmest periods), seasonal weather predictions, mission changes, facility or base expansions or reductions, etc.



b. If monthly switching IS NOT allowed, the installation must place orders against the contract for its natural gas requirements for the duration of the contract delivery period. Even if the LDC subsequently lowers its tariff ~~prices~~ for the installation, the terms of the contract must be followed. NOTE: Rule of thumb when monthly switching is not allowed: Always order gas under the terms of the awarded DFSC contract.

c. Beginning on the 15th of the month, DFSC shall obtain information on established LDC tariff ~~city~~-gate prices and estimated DFSC contract prices for the following month. These prices serve as a guide to determine, for those installations where monthly switching between the LDC gas and DFSC gas is allowed, whether an installation should order from the DFSC contractor or the LDC for the following month. These prices can also be used by the installations to estimate the total dollars to be obligated on their **delivery** orders.

d. For those installations where monthly switching IS allowed, DFSC **will notify** the installation before the interstate pipeline nomination deadline date which source of gas (**LDC** or DFSC contractor) is the most economical for the coming month. Accordingly, the installation shall order the most cost effective gas available, as per **DFSCs** direction. NOTE: Rule of thumb when monthly switching is allowed: Always contact the **DFSC-A** point of contact to determine the most economical source of gas for the coming month.

e. Installations shall place their order with the contractor at least 1 working day (24 hours) prior to the pipeline nomination deadline. **If** an order is not **placed** within this timeframe, the contractor is not contractually obligated to deliver, and the Government's failure to submit a **timely** "order may constitute a breach of the contract. Pipeline nomination schedules **can** be obtained either from the pipeline or by calling **DFSC-AR** on DSN 284-9376 or commercial (703) 274-9376.

f. **Pursuant** to contract clause 1700, orders may be transmitted either telephonically or by facsimile to the DFSC contractor, but must be confirmed within 24 hours with a written delivery order. A written delivery order (**DD** Form 1155) is a confirmation that the order was placed in a timely manner and for a specific quantity. Copies of the written delivery order are required to be provided to **DFSC-A**.

g. To ensure that the ordered quantity will be as close to actual consumption as possible, gas meters must

be read at a minimum of at least once a week. If the nomination appears to be out of line with actual usage, contract Clause 1700 allows an adjustment (by the ordering **office**) to the **original** nomination within a given plus (+) or minus (-) percentage without additional cost to the Government. Any adjustments (increase and/or decrease) in the nominated quantity outside of the range established in the contract, must be negotiated by the DFSC Contracting **Officer**. Under no circumstances can an installation agree to a **delivery** order change outside the range established in the contract without consulting the DFSC Contracting Officer. Any changes to the original delivery order quantity must be **confirmed** in writing with a copy provided to **DFSC-A** by FAX, DFSC-A FAX # DSN 284-4557 or **commercial** (703 )274-4557. NOTE: When nominating and/or adjusting nominations, installations' personnel must be well versed in the LDCS policy on balancing to avoid, as much as possible, any penalty situations. It should also be noted that the DFSC contract **specifies** that ordering, nomination, and adjustment of quantity (balancing) procedures shall **comply** with applicable LDC and interstate transportation procedures and agreements.

h. On occasion, an installation may find its supplies curtailed by the interstate pipeline, with the most common reasons being weather **and/or over-**nominated pipeline capacity during peak seasons. The following procedures apply:

(1) Under current DFSC contracts, the contractor must **notify** the DFSC Contracting **Officer** and the installation Ordering **Officer** within two hours of the pipeline's notification of the **curtailment** or interruption. The DFSC contractor's plan for continued delivery via an alternate route and/or alternate source of supply may only be approved by the DFSC Contracting **Officer**. The installation, meanwhile, shall obtain information regarding the cost of utilizing an alternate fuel and/or the cost of utilizing LDC gas.

(2) In those contracts where applicable, a curtailment on the primary pipeline will automatically result in the contractor switching to a secondary pipeline. Only if curtailment occurs on both the primary **and** secondary pipelines will an alternate delivery plan be submitted by the contractor. In this circumstance, the installation shall again obtain information regarding the cost of utilizing an alternate fuel and/or the cost of utilizing the LDC'S gas.

(3) In either of the two circumstances described in paragraphs E. 1.h.(1) and (2), above, the

contractor's alternate **delivery** plan for the curtailed quantities will probably be higher than the established contract price. However, the Government may choose to accept the contractor's alternate **delivery** plan (and **resultant** higher **price**) only if the Contracting Officer can determine the excess cost as consistent with current market conditions, the curtailment is verified, and this plan is the most cost effective option available to the installation.

## 2. Invoice Certification and Paying Procedures

a. On the first of **each** month, or shortly thereafter, the installation shall contact its LDC to **obtain** information on the quantity of gas the contractor delivered to the LDC's system for the previous month on behalf of the installation. However, if the delivery point is not the LDC's citygate, but directly into a pipeline system, the installation shall contact the pipeline for **delivery** documentation. In either case, the installation shall request an "imbalance statement" from the LDC and a copy of the pipeline's **daily "delivery** record" to its account of the contractor's deliveries. This information is required to **verify** quantities delivered against the quantities invoiced by the contractor. If an LDC reads the meters electronically, the installation shall request a natural gas consumption printout showing daily quantities received from the contractor and daily quantities consumed by the installation. This documentation is a very **useful** tool for an installation to use to **verify** quantities invoiced by the contractor. Contract Clauses G700 and 13.01 apply to payment of contractors' invoices. Upon receipt, a copy of the contractor's invoice shall be provided by the installation to DFSC-A.

b. When certifying a contractor's invoice for payment, installations must **verify** the unit prices invoiced. The contractor will be paid the lesser of the contract price in effect at the time of delivery or the invoiced price. The prices shown in the monthly DFSC price modification (identified as "PA" modification) are the contract prices adjusted in accordance with Clause B700. Price modifications are issued in the month in which the deliveries are made.

c. Price adjustments may also occur where an alternate **delivery** plan is approved, or when an order has been revised in excess of the percentages allowed by the contract and thus requires negotiations. **Incircum-**stances such as these, the appropriate price to be paid is stated on an administrative contract modification (identified as a "PO" modification). Therefore, an installation will **certify** the invoice for the entire delivered quantities at the contract price in accordance

with the "PA" modification and the additional **costs** ~~resulting~~ would be paid at a later date in accordance with the "PO" modification. The contractor shall submit a claim for price adjustment under Clause F700, in situations in which additional costs are involved. DFSC shall review and approve claims and issue "PO" **modifications** covering equitable adjustments, when required.

d. Once an installation has **certified** the quantity of gas delivered and the price at which that quantity is to be paid, the invoice must be forwarded immediately for payment to the designated paying **office**. **In accor-**dance with the Prompt Payment Act, the 30-day window for payment processing commences when the invoice is received at the designated billing office or invoice receiving office (i.e., the location designated in the contract where the contractor first submits the invoice), or 30 days after Government acceptance of supplies delivered. Acceptance of direct supply natural gas under the contract is deemed to have occurred no later than the 7th day **after** the **delivery** month ends. If the **office** that initially receives the invoice is other than a Finance or Payment Processing Center (i.e., the ordering office), the 30-day payment clock starts upon receipt at the first office, not when received at the Finance **Office**. By statute, the entire **certifying** and payment process of a proper invoice must be accomplished within the 30-day window. Otherwise, interest must be paid by the installation. Remember, if there are any discrepancies which an installation cannot resolve in a timely manner, DFSC-A or the DFSC Contracting Officer must be **notified**.

## F. SOLICITATION/CONTRACT DISTRIBUTION

1. The DFSC Contracting Officer (**DFSC-PN**) shall distribute copies of the direct supply **natural** gas solicitations and amendments. These documents will be distributed directly to the Military Service addresses listed in section H. of this chapter along with each installation's ordering **office**, as listed in Clause 1700 of the applicable solicitation.

2. After contract award, copies of the DFSC direct supply natural gas contract award documents will be immediately distributed by **DFSC-A**. Advance **"fax"** copies of the contract cover page, schedule and the page depicting the ordering **office** will be sent to the Military Service addresses listed in section H. of this chapter along with the ordering **office** for each installation listed in the contract award document. Follow-up (complete) copies of the contract award package are mailed to each to each of the Military Service addresses (section H., this chapter), along with copies to the invoice receiving

office, payment office and the ordering office for each installation listed in the contract award package.

3. DFSC-PN shall distribute copies of contract modifications (administrative "PO" and price adjustment "PA" modifications). Distribution of these documents is made directly to the Military Service addresses (section H., this chapter), along with the paying office and ordering office for each affected installation.

#### G. DIRECT SUPPLY NATURAL GAS (DSNG) TRAINING PROGRAM

1. DFSC will coordinate a training program aimed at providing the basics of: the DSNG program for Military Service and installation personnel.

2. Competitive Natural Gas Administration Seminars, which are taught by the Air Force's 3440th Technical Training Group, will be conducted at a frequency and at locations deemed appropriate to meet the installations' needs. DFSC shall publish a schedule of seminars at the beginning of each fiscal year. A message announcing each seminar will be sent approximately 45 days prior to the seminar, with a followup message giving all of the pertinent administrative details about the seminar being sent approximately 30 days prior. Seminar attendees will be responsible for registering for the seminars in accordance with the instructions in the messages and for funding their travel and per diem.

#### H. CENTRAL TECHNICAL AND PROGRAM MANAGEMENT OFFICES

##### 1. Defense Logistics Agency

Defense Fuel Supply Center  
ATTN: DFSC-A  
Cameron Station  
Alexandria, VA 22304-6160

COM: (703) 274-7421/7423  
DSN: 284-7421/7423

##### 2. Army

U. S. Army Engineering & Housing  
Support Center  
ATTN: CECPW-C  
Fort Belvoir, VA 22060-5516

COM: (703) 355-7361/7363  
DSN 345-7361/7363

##### 3. Navy

Naval Facilities Engineering  
Command  
ATTN: Code 165  
Alexandria, VA 22332-2300

COM: (703) 325-0103/0135  
DSN: 221-0103/0135

##### 4. Air Force

HQ Air Force Civil Engineering  
Support Agency  
ATTN: HQ AFCESA/ENE  
139 Barnes Drive  
Tyndall AFB, FL 32403-5319

COM: (904) 283-6463/6356  
DSN: 523-6463/6356

##### 5. Marine Corps

(See Navy location)

## APPENDIX A

DoD 4140.25-M  
Vol III

DIRECT SUPPLY NATURAL GAS DATA REQUIREMENTS (Read Instructions on back before completing form.)				1. REPORT DATE (YYMMDD) 27 Jan 94		2. DATE DATA REQUIRED (YYMMDD) 1 Feb 94	
INSTALLATION		b. ADDRESS					
NAME FT. GORDON		(1) STREET 5950 BEE ST.		(2) CITY DALLAS		(3) STATE TX	
DODAAC/UIC AE1432						(4) ZIP CODE 12345-	
LOCAL DISTRIBUTION COMPANY (LDC)		b. ADDRESS					
NAME GAS CO OF N. MEXICO		(1) STREET P.O. BOX 151		(2) CITY DALLAS		(3) STATE TX	
						(4) ZIP CODE 12345	
LDC SALES TARIFFS N/A				6. LDCTransportation TARIFFS \$1.27 per KCF			
LDCTransportation POLICY							
WILL LDCTransport GAS (X as applicable) " " "R" (2) INTERRUPTIBLE		YES NO X Y		b. DOES LDC ALLOW SWITCHING (X as applicable) (1) FIRM GAS (2) INTERRUPTIBLE GAS		(3) IF YES, SPECIFY FREQUENCY OF SWITCHING	
						YES NO X X	
CURRENT CONTRACTOR		b. ADDRESS					
NAME GULF GAS UTILITIES CO		(1) STREET 2450 SOUTH SHORE BLVD		(2) CITY LEAGUE CITY		(3) STATE TX	
						(4) ZIP CODE 77573	
CONTRACT DATA							
CONTRACT NUMBER		b. START DATE (YYMMDD) 87 Dec 01		c. NUMBER OF OPTION YEARS 4 option years		d. TERMINATION DATE (YYMMDD) 94 Sep 30	
NUMBER OF DAYS NOTICE TO TERMINATE 30		f. SPECIAL TERMS AND CONDITIONS (Continue in Remarks on back if necessary) NONE					
0.a. GAS REQUIREMENTS DATA			b. UNIT OF MEASUREMENT				
MONTH (1)	FIRM GAS (2)	INTERRUPTIBLE GAS (3)	MONTH (1)	FIRM GAS (2)	INTERRUPTIBLE GAS (3)	MONTH (1)	FIRM GAS (2)
JANUARY	206,000	0	MAY	30,000	0	SEPTEMBER	25,000
FEBRUARY	142,000	0	JUNE	27,000	0	OCTOBER	35,000
MARCH	133,000	0	JULY	26,000	0	NOVEMBER	108,000
APRIL	74,000	0	AUGUST	28,000	0	DECEMBER	167,000
c. TOTAL FIRM GAS CONSUMPTION 1,000,000			d. TOTAL FIRM GAS REQUIREMENTS 980,000			e. FIRM GAS MAXIMUM DAILY QUANTITY 7,200	
f. TOTAL INTERRUPTIBLE GAS CONSUMPTION none			g. TOTAL INTERRUPTIBLE GAS REQUIREMENTS none			h. INTERRUPTIBLE GAS PEAK DAY LOAD none	
11. ALTERNATE FUEL FOR INTERRUPTIBLE GAS			12. PAYMENT INFORMATION (X as applicable)				
a. TYPE FUEL		b. UNIT COST		c. PERCENT LOAD COVERED BY ALTERNATE FUEL		YES NO	
none		n/a		n/a		a. ARE TELEFAX INVOICES ACCEPTABLE? X X	
						b. IS WIRE (ELECTRONIC) TRANSFER AVAILABLE? X X	
						c. IS PREPAID EXPRESS MAIL PAYMENT AVAILABLE? X X	
13. POINTS OF CONTACT							
1) ORDERING OFFICE NAME (Last, First, Middle Initial) White, John		(2) OFFICE SYMBOL Code 1652B		(3) COMMERCIAL TELEPHONE NUMBER (Include area code)		(4) COMMERCIAL FAX NUMBER (Include area code)	
5) MAILING ADDRESS STREET 2100 2nd Street, SW				CITY Lester		STATE TX	
						ZIP CODE 20306	
b. INVOICE OFFICE (1) NAME (Last, First, Middle Initial) Blue, Scott		(2) OFFICE SYMBOL AMXEN-C		(3) COMMERCIAL TELEPHONE NUMBER (Include area code)		(4) COMMERCIAL FAX NUMBER (Include area code)	
6) MAILING ADDRESS STREET 320 First Street, NW				CITY Lester		STATE TX	
						ZIP CODE 20306	
c. PAYING OFFICE (1) NAME (Last, First, Middle Initial) Cherry, Tom		(2) OFFICE SYMBOL Code 1646		(3) COMMERCIAL TELEPHONE NUMBER (Include area code)		(4) COMMERCIAL FAX NUMBER (Include area code)	
15) MAILING ADDRESS STREET 139 Barnes Drive				CITY Lester		STATE TX	
						ZIP CODE 20306	

REMARKS/ADDITIONAL DATA (Federal and civilian agencies must include a statement regarding funds availability along with a statement regarding compliance with the Economy Act provision.)

SAMPLE

SAMPLE

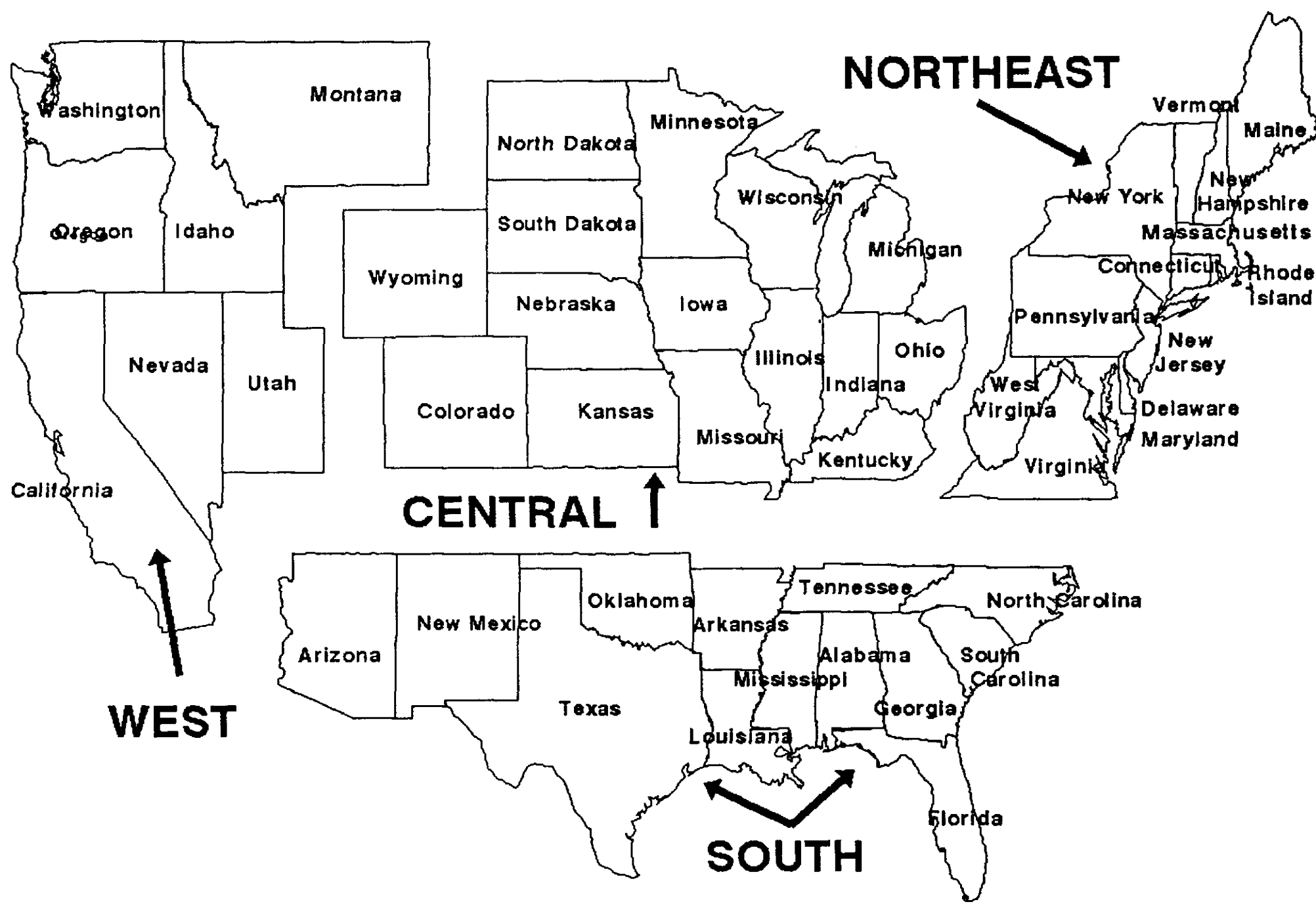
INSTRUCTIONS

- Item 1. Report Date. Enter the date the form is filled out. Use YYYYMMDD format (i.e., July 1, 1994 = 94JUL01).
- Item 2. Data Required. Enter the date information is required in accordance with the Defense Fuel Supply Center (DFSC) requirements.
- Item 3. Installation. Enter the name and commercial mailing address of the installation. Also enter the DODAAC or UIC code.
- Item 4. Local Distribution Company. Enter the name, address, and telephone number of the local distribution company (LDC).
- Items 5 and 6. Tariffs. List the sales and transportation tariffs used by the activity. Attach copy of latest LDC bill.
- Item 7. LDC Transportation Policy. Specify if the LDC will transport both firm and interruptible direct supply natural gas (DSNG), and if the LDC will allow the activity to switch between the direct supply natural gas contract and the LDC on a monthly (or otherwise) basis. Mark (X) the appropriate response and specify the switching frequency as appropriate.
- Item 8. Current Contractor. If the activity has an existing source supply natural gas contract, enter name and address of current contractor.

- Item 9. Contract Date. For the existing direct supply contract, enter the contract number, contract start date, number of option years, termination data, and the number of days termination notice required. Also include any special conditions that may affect a DFSC contract (i.e., large termination charges, liability, high backup costs, etc.).
- Item 10. Gas Requirements. Identify unit of measurement for natural gas (Item 10.b.). Provide monthly requirements estimate for both firm and/or interruptible gas, as appropriate. Provide a 12-month total for the firm and/or interruptible consumption figures for the activity. Based on your data, provide a 12-month total for the firm and/or interruptible requirements provided to DFSC. Also, provide the maximum daily quantity for the firm gas and the peak day load amount for interruptible gas.
- Item 11. Alternate Fuel. List type(s) of alternate fuel(s), unit cost, and the percent of load covered by the alternate fuel capability.
- Item 12. Payment Information. Mark (X) the appropriate response to indicate if telefax invoices are accepted by the activity, if wire (electronic) transfer of funds can be made by the paying office, and if Contractor-provided prepaid express mail is allowed by the paying office.
- Item 13. Points of contact. Enter the name of the point of contact, office symbol, commercial telephone and telefax numbers, and mailing address for each of the listed offices.
- Item 14. Remarks/Additional Data. Use this block to provide any additional data or remarks as necessary.

APPENDIX B

DIRECT SUPPLY NATURAL GAS(DSNG) PROCUREMENT AREAS



SOURCE: DIRECTORATE OF ALTERNATIVE FUELS



## APPENDIX C

### DIRECT SUPPLY NATURAL GAS PROGRAM PROCUREMENT SCHEDULE

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LOCATION AND PURCHASE PROGRAM	REQUIREMENTS DUE TO DFSC-A	DELIVERY PERIOD (*)
CENTRAL (P.P. 7.3)	1 APR (ODD YEARS)	1 APR -31 MAR (EVEN YEARS)
SOUTH (P.P. 7.2)	1 OCT (ODD YEARS)	1 OCT -30 SEP (EVEN YEARS)
NORTHEAST (P.P. 7.1)	1 APR (EVEN YEARS)	1 APR -31 MAR (ODD YEARS)
WEST (MINUS SOCAL CUSTOMERS) (P.P. 7.4)	1 JUL (EVEN YEARS)	1 JUL -30 JUN (ODD YEARS)
WEST (SOCAL CUSTOMERS ONLY) (P.P. 7.4)	1 JUL (EVEN YEARS)	1 AUG -31 JUL (ODD YEARS)

(\*CONTRACTS ALL HAVE 2 YEAR DELIVERY PERIODS

SOURCE: DIRECTORATE OF ALTERNATIVE FUELS

APPENDIX D

DIRECT SUPPLY NATURAL GAS  
PROCEDURES FOR MANAGING GAS IN CALIFORNIA

A. NOMINATIONS

1. On a monthly basis DFSC shall calculate **the** total estimated **gas** consumption for all of the California **installations** using historical and installation data. Over or under deliveries within the 10 percent balance tolerance are factored into the estimated consumption. Orders and nominations are placed with the contractors; local distribution companies (**LDCs**), and pipeline companies.

2. DFSC **shall** place nominations on the designated LDC forms to meet the estimated requirements of the installations within the capacity awarded to DFSC.

a. Nominations **will** be made to the LDC (electronically or by facsimile) by the 20th of the month for the succeeding month.

b. Orders to the contractors (by facsimile) **will** be made by the 20th of the month.

3. Nomination changes **may** be made daily, but changes must be submitted 2 business days (via electronic system) or 3 business days (via facsimile) before the flow date to be changed.

B. BALANCING. Installations shall provide meter readings to **DFSC-A** (by facsimile) on Monday, Wednesday and Friday. Consumption will be determined and compared with deliveries, and any needed corrections **will** be made.

C. IMBALANCE TRADING

1. At the end of each month, DFSC shall record the amount consumed by each installation. The total deliveries will be tabulated to **very** the contractors' invoices. The 10 percent tolerance will be calculated. Any imbalance beyond the 10 percent tolerance will be balanced through trading between **installations**. Any remaining imbalance **will** be traded or purchased by DFSC within **the** prescribed time limit.

2. Every effort must be made to avoid imbalances.

D. FUNDS MANAGEMENT. DFSC-A **shall calculate** the requirements for fiscal year finding based on the supply index in "Inside F. E. **R.C.'s** Gas Market Report," plus applicable transportation charges to the California border and any other associated costs. This information will be forwarded directly to the installations for obligation of funds and inclusion in the installation's budgets. **The installations** will forward to DFSC a statement documenting that funds will be made available.

E. ORDERING. **DFSC-AR** shall compute estimates of the monthly **prices/deca-therm (Dth)** for **California** and forward the information to DFSC-AU. Based on this information and first flow date nominations, **DFSC-AU** shall prepare the DD Forms 1155, Order for Supplies or Services. The original DD Forms 1155 will be mailed to the contractors copies will be sent to **DFSC-RFSF**, and copies will be retained by **DFSC-AU**.

F. CONTRACTOR PAYMENTS

1. The contractors' invoices initiate this phase of the process. They must be processed in a timely manner to prevent payment of interest penalties or late payment charges. Under the Prompt Payment Act, these invoices must be paid by the 30th day after receipt.

2. DFSC-COLD/DFSC-RFFB shall validate the receipt of the invoices and forward the originals to **DFSC-AU** for payment **certification**. **Certification** will be accomplished by **DFSC-AU** and will be based on the pipeline allocation reports. The DD Forms 1155 will be adjusted to show the actual, **verified** quantities plus the actual gas costs per DFSC-PN contract price modifications. The certified invoices and the adjusted **DD** Forms 1155 will be forwarded to **DFAS-CO/DFSC-RFFB** for payment. Copies of DD Forms 1155 will be maintained in **DFSC-AU**.

3. DFAS-CO/DFSC-RFFB shall pay the contractors the lower of the two amounts stated on the contractors' invoices *or the* amended **DD** Forms 1155. If an invoice is lower than the amended DD Form

1155, DFAS shall send an **underbilling** letter to the contractor requesting ratification.

4. Confirmations that the contractors have been paid will be **received** by **DFSC-AU** via copies of SF 1034-A, Public Vouchers for Purchases and Services Other Than Personal, from **DFAS-CO/DFSC-RFD** (Disbursing Office).

#### G. TRANSPORTATION COSTS

1. For installations behind Southern California Gas Company (**SoCal**), **DFSC-A** has obtained capacity on Transwestern Pipeline in our name to transport natural gas. For installations behind Pacific Gas and Electric Company (**PG&E**), transportation costs are included in the contractors' bid price. **DFSC-A** shall not incur transportation costs for installations behind **PG&E**.

2. While the contract with **Transwestern Pipeline** is a legally **binding** document, it does not provide **funding** information since costs are based on demand and variable commodity charges. To **satisfy** requirements, an Obligation Authority (OA) will be issued by **DFSC-RFFB** on a quarterly basis.

3. **DFSC-AU** shall consolidate the installations' quarterly transportation requirements on an Other Agreement **Request**, **DFSC** Form 20. The completed form will be forwarded to **DFSC-RFFB** at least 14 days prior to the beginning of the quarter for preparation of the OA.

4. Invoices will be received by **DFSC-AU** from the pipeline covering the charges for all gas delivered to the LDC for **DFSC** customers by the pipeline. These invoices will be verified based on the LDC **confirmation** of **delivery**. The invoices will then be sent to **DFAS** for payment.

5. **DFAS-CO** shall send copies of a SF 1034-A to **DFSC-AU** to prove the invoices were paid.

#### H. STORAGE COSTS

1. **DFSC-A** has contracted with **SoCal** for **short-term** storage. This storage aids in load management behind the LDC. Under or over deliveries are traded in/out to provide a successful balancing tool for monthly nominations.

2. The storage invoice **contains** both the **annual** reservation and monthly natural gas activity charges.

#### I. BILLING

1. Currently the California program is being funded under the Defense Business Operating Fund (**DBOF**). Initially the contractor invoices are paid under **DBOF**, but costs are reimbursed via the installations' payment of monthly charges billed by **DFAS/DFSC-RFSF**.

2. The **total** amount of contractor gas delivered per the contractor's invoice will be divided into the total amount of money on the contractor's invoice for the month to estimate a **\$/Dth** commodity charge. The actual commodity charge is given to **DFSC-AU** via the **DFSC-PN** price **modification**. The **DFSC-PN** price **modification** is based on established rates from the **F.E.R.C.** Index.

3. The total transportation costs per Dth are calculated by taking the cumulative total for the monthly invoices of the variable and demand charges and dividing the total, verifiable quantity delivered.

4. The total monthly costs of storage is calculated per installation for both the annual reservation and monthly activity charges. Both costs are factored out on a percentage of consumption basis,

5. The **\$/Dth** commodity charge obtained in 1 will be added to the **\$/Dth** transport costs obtained in 2. This figure will then be used to bill the installations for the gas delivered by multiplying the total quantity by this cumulative **\$/Dth** price.

6. The amount of gas delivered to the LDC and the total amount of gas consumed by the installation may be different.

7. **DFAS-CO/DFSC-RFSF** will invoice the installations based on the figures calculated by **DFSC-AU**. These figures will include the usage, **transportation**, and storage costs. However, on a few occasions there may be adjustments such as zone boundary charges or pipeline refired credits that may arise. Any additionally incurred costs or specifically given credits will be factored into the invoice figure and itemized on the installation's bills.

8. Each installation will be billed within 45 days following the month of delivery.

9. Confirmation that installations have been correctly billed must be received by **DFSC-AU** via copies of Standard Forms 1080, Vouchers for

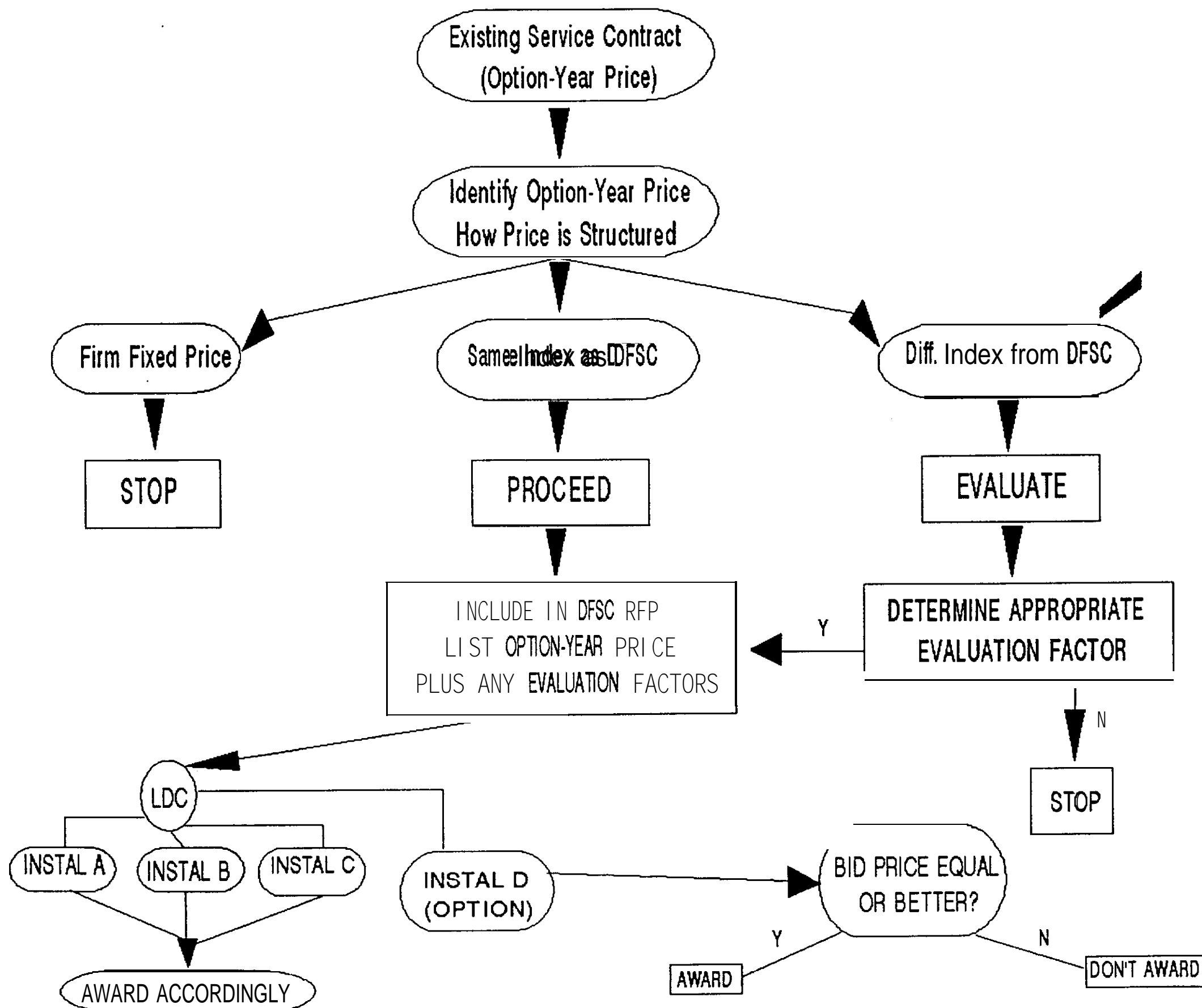
Transfers Between Appropriations and/or Fund, from  
DFSC-CO/DFSC-RFSF.

# APPENDIX E

## NATURAL GAS TRANSITION OF EXISTING SOURCE SUPPLY CONTRACTS TO DFSC (DECISION MATRIX)

\* NAT/GAS Conference Action Item 1 .e. (First Issue)

\* Plan based on conference handout, **DFSC-PN** IOM, (undated),  
Subject: Integrating Military Services' Option Contracts into the **DFSC** Direct Supply Natural  
Gas Program



APPENDIX F

INSTALLATION FLY HIGH AFB, USA  
DIRECT SUPPLY NATURAL GAS  
ECONOMIC ANALYSIS SPREADSHEET

LDC ALL CITIES GAS COMPANY															
HISTORICAL CONSUMPTION			SUPPLY	SUPPLY ADJ	PIPELINE TRANS CHARGES	PIPELINE FUEL LOSS per DTH	LDC Citygate per DTH	LDC Film % per DTH	LDC Distr 1st 1K DTH	LDC Distr 2nd 2K DTH	LDC Distr Over 3K DTH	LDC SERVICE CHARGE	Pipeline Reserve Charge	LDC Burnertip Total	LDC Burnertip Cost per DTH
DATA MONTH	DTHs	SUPPLY													
JAN 93	63,597	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$272,772.25	\$4.2691	
FEB 93	58,521	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$291,199.25	\$4.2925	
MAR 93	41,608	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$179,319.00	\$4.3097	
APR 93	33,151	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$143,376.75	\$4.3250	
MAY 93	14,884	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$65,742.00	\$4.4170	
JUN 93	8,119	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$36,990.75	\$4.5561	
JUL 93	6,765	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$31,235.25	\$4.6173	
AUG 93	6,765	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$2,123.25	\$4.6173	
SEP 92	7,104	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$32,677.00	\$4.5998	
OCT 92	12,655	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$57,118.75	\$4.4433	
NOV 92	32,812	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$141,936.00	\$4.3257	
DEC 92	52,095	0	0	0	0	\$4.0200	0	\$0.6800	\$0.4800	\$0.2300	\$835.00	0	\$223,346.75	\$4.2977	
TOTAL:		SSS,276											LDC Total Annual Cost:	\$1,467,493.00	

DFSC															
	HISTORICAL CONSUMPTION	DFSC	DFSC	PIPELINE	PIPELINE	DFSC	LDC	LDC	LDC	LDC	Pipeline	DFSC	DFSC		
	DTHs	SUPPLY	CONTRACTOR	TRANS	FUEL LOSS	Citygate	F(SSL	Distr.	Distr.	Distr.	Reservation	Burnertip	Burnertip		
DATA MONTH			ADJ FACTOR	CHARGES	(2.s3%)	per DTH	LOSS	1st 1K DTH	2nd 2K DTH	Over 3K DTH	Charge	Total	Cost per DTH		
JAN 93	63,597	\$1.85	\$0.0150	\$0.2774	\$0.0441	\$2.1865	\$0.0911	\$0.6800	\$0.4800	\$0.2300	\$835.00	\$0.00	\$158,976.01	22.4997	
FEB 92	58,521	\$1.54	\$0.0150	\$0.2774	\$0.0367	\$1.8691	\$0.0779	\$0.6800	\$0.4800	40,2302	\$835.00	\$0.00	\$127,476.60	\$2.1732	
MAR 93	41,608	\$1.63	\$0.0150	\$0.2774	\$0.0441	\$2.1065	\$0.0911	\$0.6800	\$0.4800	\$0.2300	\$835.00	\$0.00	\$104,868.42	\$2.5204	
APR 93	33,151	\$2.10	\$0.0150	\$0.2774		\$2.4425	\$0.1018	\$0.6800	\$0.4800	\$0.2300	\$835.00	\$0.00	\$92,741.73	s27976	
MAY so	14,834	\$2.56	\$0.0150	\$0.2774	20.2611	\$2.9135	\$0.1214	\$0.6800	\$0.4800	\$0.2300	\$835.00	\$0.00	\$50,181.40	\$3.3715	
JUN 93	8,119	\$1.92	\$0.0150	\$0.2774	\$0.0458	\$2.2582	\$0.0941	\$0.6800	\$0.4800	\$0.2300	\$835.00	\$0.00	\$23,058.60	\$2.8401	
JUL S2	6,765	\$1.85	\$0.0150	\$0.2774	\$0.0441	\$2.1865	\$0.0911	\$0.6800	\$0.4800	\$0.2300	\$835.00	\$0.00	\$19,131.41	\$2.8280	
AUG 93	6,75s	\$2.04	\$0.0150	\$0.2774	\$0.0487	\$2.3811	\$0.0992	\$0.6800	\$0.4800	\$0.2300	\$835.00	\$0.00	\$20,478.09	s3.0271	
SEP 92	7,104	\$2.27	\$0.0150	\$0.2774	\$0.0542	\$2.6188	\$0.1090	\$0.6800	\$0.4800	\$0.2300	\$835.00	4am	\$23,091.61	\$3.2505	
OCT 92	12,855	\$2.55	\$0.0150	\$0.2774	\$0.0608	\$2.9032	\$0.1210	\$0.6800	\$0.4800	\$0.2300	\$835.00	\$0.00	\$43,544.70	\$3.3874	
NOV 92	32,812	\$2.22	\$0.0150	\$0.2774	\$0.0530	\$2.5654	\$0.1069	\$0.6800	\$0.4800	\$0.2300	\$835.00	\$0.00	\$95,944.07	\$2.9241	
DEC 92	52,095	\$2.15	42.01s0	\$0.2774	\$0.0513	\$2.4837	\$0.1038	\$0.6800	\$0.4800	\$0.2300	\$835.00	\$0.00	8147,047.50	\$2.8227	
TOTAL:	338,276	DFSC Total Annual Cost:										\$906,542.23			
LDC TOTAL ANNUAL COST:													\$1,467,493.00		

- 1 Historical Consumption data submitted by Fly High AFB and HQ AFCEA.
- 2 Supply Index is Columbia Gas Published in INSIDE FERC
- 3 Pipeline Transportation Charges = Trans rate (\$0.2205) + ACA (\$0.0022) + GRI (\$0.0147) on Columbia Gas Pipeline.

Sub-Total Savings(Loss):	\$580,950.77
Base Administrative Cost:	\$10,000.00
NET ESTIMATED SAVINGS:	\$550,950.77